



Annual Shareholders' Meeting 2018

Speech by
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A very good morning to all our shareholders,
honored guests and everyone here today.

Ladies and Gentlemen,

WACKER promotes progress through its products. That is our company's strength and has been for more than 100 years.

Our polymer binders are a prime example. A truly unique success story, for which there are many reasons:

- Our high-value quality products
- Our global market presence
- Our targeted investments in sites, products and technologies
- Our systematic innovations
- Our long-term customer relationships and our satisfied customers

Today, we are the global market leader for polymer dispersions and dispersible polymer powders.

Our success has nothing to do with chance. It is the result of hard work and many good strategic steps. And that makes us proud.

But what is important for you and us is that we think ahead. We make decisions for tomorrow's business activities. Take, for example, our polymer production capacity. We will have more than one million metric tons of capacity by late 2019. Across three continents and at world-class production sites.

Our latest major investment: a new reactor for dispersions and a new spray dryer for dispersible polymer powders at Ulsan in South Korea. As you see, our production activities follow the market. Seven of the ten most populated countries in the world are in Asia, where demand is soaring for our high-quality construction materials.

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At the same time, we are expanding our global network of technical competence centers, as well as the WACKER Academy. As you have just seen: we send our lab on wheels to visit customers, even on construction sites.

Asia is just one example. In fact, WACKER is the only company that supplies customers and markets worldwide with both dispersions and dispersible polymer powders. That is what distinguishes us from the competition.

This tandem product strategy – realized worldwide – is the great strength of our business model. It makes us a unique and reliable partner for our customers.

There is a lot more potential for further growth in this business segment. We have set ourselves ambitious goals. The past ten years saw us doubling our sales of dispersions and dispersible polymer powders. We are confident that we can do so again over the next ten years.

On that note, welcome to the twelfth Annual Shareholders' Meeting of Wacker Chemie AG. I thank you for joining us today, also in the name of my Executive Board colleagues.

Ladies and Gentlemen,

2017 was a good year for WACKER. I would like to point out two highlights.

- We sold much more in terms of volume
- Growth in our silicones business has reached a new dimension

We also completed a key strategical step for our company's operations. We gave up majority ownership of Siltronic AG. More about that later.

First, a look at our numbers. They reflect a very good business trend.

- Our sales: six percent higher at 4.92 billion euros.
- Earnings before interest, taxes, depreciation and amortization: 1.01 billion euros. Up six percent and above our forecast.
- Net income without the effects of the deconsolidation of Siltronic AG: 250 million euros. An increase of more than 40 percent.
- Net cash flow: it came in at around 360 million euros, on par with the year before. Without Siltronic!
- Net financial debt: 455 million euros. Down by half versus a year earlier.

What brought about such strong operative results? We always keep a close eye on costs and efficiency. That is part of WACKER's DNA, you could say. Productivity is in our genes. Last year alone, we lifted it by six percent. As for specific operating costs, we cut them by six percent. Which in absolute numbers is a cost saving of more than 100 million euros. Definitely a strong result.

All of these numbers reflect an outstanding team performance. By that, I mean our employees. Ladies and gentlemen, I am sure that I am speaking on your behalf, too, when I say thank you to all our employees for last year's splendid performance.

2017's success will, of course, positively affect the dividend. Last year I said that we want you, our shareholders, to benefit even more from our Group's success. That would normally mean distributing about 50 percent of our net income to you.

Well, we posted good results, successfully placed Siltronic AG shares on the capital market, have a low debt-to-equity ratio and above all we are very optimistic about WACKER's future prospects.

In consequence, the Supervisory and Executive Boards are proposing to the Annual Shareholders' Meeting today that, on top of the dividend of 2.50 euros per share, an extra 2 euros per share is distributed. That means a total payout for 2017 of 4.50 euros per share. The highest dividend WACKER has ever paid.

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Ladies and Gentlemen,

Our chemical business expanded further. Volume growth was so high that we readily absorbed the higher raw-material costs and the lower prices for some of our products.

As I already pointed out: growth in our silicones business has reached a new dimension. In 2017 alone, we lifted sales in that segment by 10 percent. To 2.2 billion euros. During the past five years, sales there climbed by a good 30 percent. That's an average growth rate of six percent per year.

Another very encouraging point: our chemical divisions' contribution to earnings increased again. At our three chemical divisions, we generated an EBITDA totaling about 700 million euros.

Now, to our polysilicon business. Sales rose slightly in 2017. To above 1.1 billion euros. We delivered over 70,000 metric tons of polysilicon to our customers. More than ever before. EBITDA came in at the year-earlier level amid persistently low average prices. It amounted to 290 million euros.

We continued to work hard on reducing this segment's specific production costs. Going forward, this work will remain one of our key tasks for ensuring our continued success in polysilicon. Our efforts won't weaken. On the contrary, we will do our utmost to lower the cost curve and achieve our cost objectives even faster.

Our basic goal has not changed: we want to remain a leading polysilicon manufacturer for the solar and semiconductor industries.

On giving up our majority stake in Siltronic AG, we saw an almost 60-year era come to an end. WACKER, a pioneer of hyperpure silicon, had been supplying wafers to the semiconductor industry since the 1950s. As of March 2017, Siltronic has been an independent, publicly listed company, with WACKER holding a stake of a good 30 percent. That means: Siltronic now appears in our figures as an important shareholding, but no longer as a business division in its own right.

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Demand for semiconductor wafers is very high. Through our 30 percent stake, we benefit from this favorable trend. We are convinced that we chose a good time to take that step.

Ladies and Gentlemen,

Last year, there was one event that affected us deeply. In early September, our new US polysilicon site at Charleston reported a hydrogen explosion. It was caused by an unforeseeable technical defect in a compressor. A facility was severely damaged. As a result, we shut down production completely – until four weeks ago.

Those are the facts. But the most important point for all of us was: no one came to any harm. We were all very relieved.

Given the difficult situation at the site, our employees did a splendid job. The past months were a time when WACKER demonstrated unparalleled strengths. We all stood together. And standing together meant that we kept on all our employees at Charleston. We see that as our corporate responsibility. As part of our WACKER culture.

From today's perspective, we will reach full production capacity again during the fourth quarter. All the damage at the site and the earnings lost through business interruption are fully covered by insurance. Which means: WACKER will not face any significant financial loss from the incident.

The safety of our employees, plants and processes is our top priority. It is of utmost importance to us to do everything humanly possible to prevent a similar incident from ever recurring.

Ladies and Gentlemen,

Our key indicators for 2017 have given us even more scope to chart the right course for the future. Our plans are based on the five-point strategy we established in 2016. I explained it to you in detail at our last Annual Shareholders' Meeting.

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The last two years have shown that this strategy is already paying off. There is no reason to change it in the near future. Indeed, our policy has always been to think long term and act today for the future.

We all know that investing is the key to the future. We also know that market demand is very high for many of our products. We have identified plenty of opportunities for further growth. And we want to seize them. That is why we must act early and increase investment spending significantly versus last year.

Our goals are clear:

- To prepare for our next growth step
- And to enhance our market positions

This year, we will be investing some 470 million euros. Just over half will be for our silicone business.

Two major projects deserve special mention:

- Our new production facility for pyrogenic silica at Charleston in the USA
- And our new facility for manufacturing silicon metal at Holla in Norway

Both facilities will come on stream next year.

Our Group's capital expenditures will stay within the contours of our strategy. In other words, total investment spending will be below depreciation.

Ladies and Gentlemen,

Innovation spurs our business, enabling us to grow further. Innovation is also what drives our productivity. WACKER's long-term formula for success was and still is innovation.

Last year, we invested more than 150 million euros in research and development projects. Our product portfolio has grown, with 34 product launches in 2017, for a wide range of applications.

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In all our development work, our focus is firmly on our customers' needs. Obviously, construction companies in Singapore, for example, require different products than their counterparts in Germany. Because the climate is different. If those products do not exist yet, then we develop them together with our customers. Locally, at one of our 21 technical competence centers around the globe. Another advantage that sets us apart from our competitors.

I am particularly proud of a recent example where our innovations played a key role. Cold plasma treatment for patients with chronic wounds. Cold plasma destroys bacteria and stimulates the body's power to heal itself. This novel wound dressing was developed by a startup called Coldplasmatech in Greifswald, Germany. To generate the healing plasma directly at the wound surface, the startup's researchers needed silicone.

WACKER joined forces with Coldplasmatech in 2014 and worked on developing this innovative therapeutic approach into a product. We supply them with the right silicones in very high quality and purity. This April, both the startup and product received a German Innovation award. As you can see: innovations do not only come from Silicon Valley. They come from WACKER, too.

We positioned ourselves globally a long time ago in Production, Sales and Marketing. But that is only partially the case in R&D. We still have some catching up to do on that front. I assure you that we will put our innovation network on a stronger global footing.

By year-end, we will finish expanding our Shanghai research labs for silicone applications for construction, coatings and consumer goods. In the USA, we opened a new R&D center for silicones last year – in Ann Arbor, Michigan.

We chose this location with good reason. The university there has an excellent reputation for science. We will be able to find highly qualified chemists, researchers and scientists there. Our R&D and analytics labs are located on a campus for high-tech startups. That is exactly the inspiring environment we need to develop new products for the US market.

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All this underscores a basic principle. We are continuously spurred ahead by asking: What will our customers need and want tomorrow? In five years? And in ten?

Ladies and Gentlemen,

The example of Ann Arbor highlights the fact that the future is always envisioned and made by people. Our employees are the ones who do all this. Some of them are here today. They are our future. That is why we invest in them worldwide.

Training is key. At present, we are training 600 young people, in 22 occupations. With great success. The proof is in their grades. In 2017, 27 of our trainees graduated with a top grade – in Germany 1.5 or better.

For example, Sebastian Niklas, who completed his training as a master chemical technician in Burghausen as the best of his year. In recognition, the Bavarian government presented him with its Master's Award. Or Jakob Braune at our Nünchritz site. The best chemical technician of his year in the Free State of Saxony.

Ladies and Gentlemen,

Germany's dual vocational training system is considered a success model all around the world. Its combination of practical training in industry and theoretical courses at technical colleges provides companies like WACKER with well-trained professionals.

Given the large numbers of specialists who will be retiring in the next 15 to 20 years, we must do everything we can to raise awareness of how important training is.

The keyword here is: advanced training. Last year alone, our employees participated in 16,300 advanced training measures.

New technologies call for new skills. Just think of digitalization. Naturally, we need new employees for it: not only IT experts and software developers. But also engineers, chemists, application specialists and production experts. To support our growing business. Last year, we hired about 730 new employees worldwide.

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A task at the very top of our agenda is to prepare women for leadership positions. Without doubt, we need more women in management. At all levels.

Two years ago, we set ourselves quantitative targets for the first time. Our aim was to increase – by June 2017 – the proportion of women in first-level management from 8 to 10 percent, and in second-level positions from 14.5 to 17.5 percent.

We outperformed these targets. At the first level, the proportion of women increased to 16 percent. At the second level, it reached 18 percent. That is just the beginning. We won't be easing up.

Our selection-process principles, of course, remain valid: we need to fill every position with the best leaders and employees. Expertise and performance are the priorities. Irrespective of age, cultural background or gender.

It is equally important for us that employees with severe disabilities and those of equivalent status are integrated into our workforce – “inclusion” is the key term here. WACKER sets a good example, providing discrimination-free workplaces and offering more of them than legally required. WACKER's efforts have received recognition outside the company. The Bavarian government presented us with its “Inclusion in Bavaria – We Work Together” emblem.

Future also means digitalization. And we will be working intensively on this topic over the coming years. At last year's Annual Shareholders' Meeting, I explained the strategy we are pursuing.

Digitalization will help us to satisfy customer needs even better. It is a topic that encompasses the entire supply chain, from product development and manufacturing right through to customer service.

That is why we launched WACKER Digital, a program for advancing the digital transformation at all stages of the supply chain.

One example is predictive maintenance. For chemical companies like WACKER, it will play a decisive role. In 2017 alone, we spent 380 million euros on maintenance. With digitalization, algorithms will learn from historical data whether specific vibrations and noises point to possible damage and will send a warning in good time.

This year, we started using digital technologies to help monitor rotating equipment, such as gears and compressors. This will not only increase the safety of our plants, but also reduce production downtime. Such digital technologies are a powerful lever to achieve higher plant availability and greater productivity.

In all aspects of digitalization, it is vital that our employees join us on our path to a digital work environment. For our part, we also have to learn here. We do not have all the answers about how digitalization will change the world of work. Digitalization is not just a task for management. We need everyone at WACKER on board.

Ladies and Gentlemen,

Let's turn to the 2018 business year.

The first quarter is over. And we are clearly on course. Group sales reached 1.22 billion euros, on par with the high year-earlier quarter. That was a good result, as we faced strong currency headwinds. Also, we lacked 5,000 metric tons of polysilicon from Charleston due to the production shutdown there.

EBITDA rose markedly. Up by 11 percent to 255 million euros, despite much higher raw-material costs.

EBITDA was also notable because it did not yet contain any insurance compensation for the business interruption loss at Charleston, although we were still paying all the ongoing costs.

Ladies and Gentlemen,

As you know, our priority is to grow our business organically. But we have always said that if we found a promising complementary operation that was a strategic fit, we would certainly consider acquiring it to strengthen our operations.

We have now acquired a new, certified production site for pharmaceutical actives in Amsterdam, together with its associated business, for our future-oriented BIOSOLUTIONS division. This step doubles our production capacity in the fast-growing biopharmaceuticals market to a total of 4,000 liters. We have acquired an outstanding technology and added live microbial products to our technology and service offering.

The past few years have seen us expanding our biopharmaceuticals business. Carefully and continuously. Our acquisitions began with WACKER Biotech in Jena. Then, we took over Scil Proteins in Halle. Both acquisitions were a resounding success. I am sure that our third acquisition will also be successful: SynCo Bio Partners of Amsterdam. All of these measures strengthen our position in the highly attractive biopharmaceuticals market.

Ladies and Gentlemen,

We look ahead with optimism. We want to continue on our successful course in 2018. And we have every reason to be optimistic. The global prospects for this year are good. The world economy is expanding. Chemical markets are growing. And we have set clear priorities, with investments focused on our chemical business.

We have already announced our goals for 2018:

- Group sales are expected to rise further, despite strong currency headwinds.
- EBITDA is projected to grow – by a mid-single-digit percentage.
- Net income from continuing operations will substantially rise year over year.
- Net operating cash flow will be clearly positive, but below last year due to higher capital expenditures.
- Net financial debt will stay low.

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Provided no unexpected events dampen the global economy, we have a chance of beating our current earnings guidance for the full year. That shows our optimism.

But we also see risks. The biggest is the trade confrontation between the USA and the rest of the world. As we all know, companies need stable and reliable economic conditions. Free trade is the source of employment, growth and prosperity all around the world. New trade barriers work like poison – for the economy and consumers. History has shown that intervention, be it political or regulatory, has never protected industries or companies from market developments. Protectionism stifles competition. And, in turn, innovation.

Our standpoint is clear: we want open markets and fair trading conditions. We are not afraid of competition. If Europe is to keep its employment levels and industrial strength, we need free movement of goods and open markets. That is why we urge policymakers to do everything in their power to avoid an escalation, to apply the tools of diplomacy and to use dialogue to resolve confrontation.

Ladies and Gentlemen,

I hope I have managed to show you that WACKER is well positioned to shape the future successfully. We think and act long-term. We have the right products. We develop innovative new products and technologies. We establish leading positions in all of our key markets. And we have highly capable and committed employees.

What makes WACKER unique is our combination of expertise, experience, innovation, shared identity, performance and passion. That is what gives us strength and confidence for the future.

I sincerely thank you, as our shareholders – on behalf of the Executive Board and, in particular, of our employees – for the trust you have placed in us.

Stay with us on the path ahead!

Thank you.

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